IOI Corporation (IOI MK)

3QFY26: Within Expectations; Improved Downstream Performance

BUY (Maintained)	
Share Price	RM3.99
Target Price	RM4.90
Upside	22.8%
Previous TP	RM4.80

Highlights

- IOI's 9MFY26 core net profit of RM1,103m (+11% yoy) met expectations, accounting for 74%/76% of our/consensus full-year estimates respectively.
- We expect earnings to strengthen in 4QFY26, driven by firmer CPO prices and higher plantation output, while downstream prospects remain challenging despite the recent sequential recovery.
- Maintain BUY with a higher target price of RM4.90 (previously RM4.80).

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9MFY26 Results

Year to 30 Jun (RMm)	3QFY26	qoq %	yoy %	9MFY26	yoy %
Revenue	2,675.5	(11.1)	(2.2)	8,737.4	4.3
EBIT	373.5	(26.7)	8.4	1,323.2	16.3
Plantation	338.7	(34.1)	6.4	1,057.4	7.4
Manufacturing	92.8	39.1	14.0	290.7	89.5
Net Profit	283.3	(46.4)	8.0	1,181.2	9.0
Core Net Profit	295.5	(29.1)	5.8	1,103.4	10.8
EBIT Margin	14.0	(17.5)	10.8	15.1	11.5
Plantation	39.2	(17.0)	(1.6)	43.7	1.4
Manufacturing	3.7	59.1	18.8	3.52	83.9
Core net profit	11.0	(20.2)	8.2	12.6	6.2

Source: IOI Corporation, UOB Kay Hian

Analysis

- **Within expectations.** IOI Corporation's (IOI) 9MFY26 core net profit of RM1,103m (+10.8% yoy) came in within expectations, accounting for 74%/76% of our/consensus full-year forecasts respectively. 3QFY26 core net profit declined 29% qoq to RM295.5m, mainly due to softer plantation earnings following a seasonally weaker production cycle. On a yoy basis, earnings increased 5.8%, supported by stronger contributions from both the plantation and manufacturing segments, driven by improved oleochemical performance.

Key Financials

Year to 30 Jun (RMm)	FY24	FY25	FY26F	FY27F	FY28F
Net turnover	9,604	11,335	11,146	11,349	11,459
EBITDA	1,537	1,837	1,914	1,997	2,067
Operating profit	1,140	1,432	1,482	1,549	1,608
Net profit (rep./act.)	1,088	1,521	1,472	1,692	1,827
Net profit (adj.)	1,088	1,320	1,472	1,692	1,827
EPS	17.3	21	21.6	23.1	24.1
PE (x)	21.5	18.8	18.3	17.1	16.4
P/B (x)	2	2	1.9	1.8	1.7
EV/EBITDA (x)	24.6	14.6	14.1	13.3	12.6
Dividend yield (%)	2.6	2.7	2.8	3	3.2
Net margin (%)	11.3	13.4	12.2	12.8	13.2
Net debt/(cash) to equity(%)	13	13.3	13.3	9.7	6
Interest cover (x)	13	17.1	18.4	19.7	23.2
ROE (%)	9.5	11.4	12.1	13.1	13.4
Consensus net profit	-	-	1,448	1,466	1,498
UOBKH/Consensus (x)	-	-	1.02	1.15	1.22

Source: IOI Corporation, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	IOI MK
Shares issued (m):	6,285
Market cap (RM$m):	25,080
Market cap (US$m):	6,325
3-mth avg daily t'over (US$m):	1.5

Price Performance (%)

52-week high/low				RM2.41/RM1.74
1mth	3mth	6mth	1yr	YTD
(9.1)	1.3	2.9	9.9	0.3

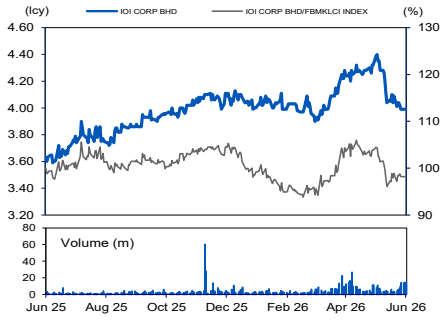
Major Shareholders

	%
Progressive Holdings Sdn Bhd	50.45
Employees Provident Fund	17.12

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.05
FY26 Net Debt/Share (RM)	0.25

Price Chart



Source: Bloomberg

Company Description

Integrated palm oil player

- **Plantation.** EBIT rose 6.4% yoy to RM338m in 3QFY26, underpinned by a 10.4% increase in FFB production and higher OER of 22.3%. This more than offset the impact of lower average realised CPO prices of RM4,019 per tonne (-13.9% yoy). Meanwhile, CPO production cost improved to RM2,166 per tonne (3QFY25: RM2,459) on higher output, bringing 9MFY26 production cost to RM1,971 per tonne.
- **Manufacturing.** EBIT increased 39% qoq to RM92.8m, driven by stronger refinery and oleochemical performances, which we believe benefitted from increased customer restocking activities. The improvement was partially offset by lower earnings contribution from its associate, Bunge Loders Croklaan.
- **Outlook.** IOI's 10MFY26 FFB production growth of 6% yoy remains on track to meet management's full-year target of 5-8%. Overall, we expect the group's earnings to strengthen qoq in 4QFY26, mainly driven by stronger plantation earnings on the back of firmer CPO prices and higher production. Management expects CPO prices to remain elevated at RM4,300-4,600 per tonne, while production should improve seasonally, also aided by a larger proportion of palms entering their prime yielding years. On the downstream front, management continues to foresee a challenging operating environment, with refining margins remaining weak amid intense competition from Indonesian refiners and uneven demand conditions. The oleochemical segment is also projected to face persistent pricing pressure from Indonesian producers. That said, lower palm kernel feedstock prices since Apr 26 and more active customer restocking following the US-Iran conflict should provide some support to downstream earnings in 4QFY26.

Valuation/Recommendation

- **Maintain BUY with a higher SOTP-based target price of RM4.90 (previously RM4.80),** following an upward revision in our fair value for Bumitama (32%-owned) to S$2.01 (from S$1.55). Other valuation parameters remain unchanged, comprising 19x 2026F PE for the plantation division, 15x 2026F PE for the manufacturing (downstream) division and 18x PE for the contribution from associate Loders. The revised target price implies 18.5x 2026F PE, in line with IOI's five-year historical average.

Earnings Revision/Risk

- **Earnings estimate unchanged.** We forecast an 11.5%/15.0% yoy rise in FY26-27 core earnings based on our CPO price forecast of RM4,500/tonne and FFB growth of 6.0%/4.5% for the year. For FY27, we also expect contribution from its downstream segment to recover back towards FY24's profitability levels

Share Price Catalyst

- Better-than-expected CPO prices.
- Higher-than-expected production growth.
- Marked improvement in downstream contribution.

Environmental, Social and Governance (ESG)

Environmental

- All Malaysian estates are MSPO-certified, while 96% of the estates are RSPO-certified.

Social

- Transparent communication and response to any ongoing cases involving the community.
- Implementation of programmes related to health, education, medical assistance, and other community enrichment acts.

Governance

- Transparent governance along with an Anti-Bribery and Anti- Corruption Policy.

Operational Statistics

	3QFY26	2QFY26	3QFY25
FFB (tonne)	635,793	873,562	575,815
CPO production (tonne)	141,827	196,124	121,823
CPO OER (%)	22.3	22.1	20.8
CPO Price (RM/tonne)	4,019	4,224	4,667
PK Price (RM/tonne)	3,287	3,449	3,715

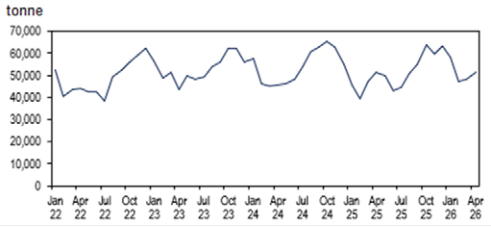
Source: IOI Corporation

Key Assumptions

FFB production growth	
FY26	6.0%
FY27	4.5%
CPO prices	RM4,500/tonne
Downstream Margin	1.5%

Source: UOB Kay Hian

Monthly FFB Production Trend



Source: IOI Corporation

SOTP Valuation

	PE (x)	RM/share
Plantations	19	3.72
Manufacturing	15	0.42
Stake in Bumitama (Fair value: S$2.01/share)	-	0.55
Contribution from Loders	18	0.46
Less: Net Debt		(0.26)
IOI's fair value		4.90

Source: UOB Kay Hian

Profit & Loss

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28F
Net turnover	11,335	11,146	11,349	11,459
EBITDA	1,837	1,914	1,997	2,067
Deprec. & amort.	405	431	448	459
EBIT	1,432	1,482	1,549	1,608
Associate contributions	351	373	406	424
Net interest income/(expense)	(107)	(104)	(101)	(89)
Pre-tax profit	1,878	1,858	2,123	2,307
Tax	(341)	(343)	(354)	(381)
Minorities	(16)	(14)	(15)	(15)
Net profit	1,521	1,472	1,692	1,827
Net profit (adj.)	1,320	1,472	1,692	1,827

Balance Sheet

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28F
Fixed assets	9,532	9,814	10,083	10,328
Other LT assets	3,184	3,215	3,247	3,279
Cash/ST investment	1,452	1,336	1,291	1,788
Other current assets	125	125	125	125
Total assets	17,792	18,126	18,518	19,239
ST debt	709	709	709	709
Other current liabilities	260	260	260	260
LT debt	2,807	2,618	2,430	2,098
Other LT liabilities	1,206	1,056	906	906
Shareholders' equity	11,582	12,202	12,879	13,641
Minority interest	344	358	372	382
Total liabilities & equity	17,792	18,126	18,518	19,239

Cash Flow

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28F
Operating	944	1,366	1,702	1,800
Pre-tax profit	1,878	1,858	2,123	2,307
Tax	(341)	(343)	(354)	(381)
Deprec. & amort.	405	431	448	459
Working capital changes	(275)	(270)	(41)	(22)
Other operating cashflows	(722)	(165)	(167)	(162)
Investing	(537)	(536)	(536)	(536)
Capex (maintenance)	(700)	(900)	(700)	(700)
Investments	0	0	0	0
Proceeds from sale of assets	2	3	3	3
Others	162	162	162	162
Financing	-864	-909	-956	-988
Dividend payments	-660	-706	-753	-785
Issue of shares	0	0	0	0
Proceeds from borrowings	3	4	4	4
Loan repayment	(193)	(193)	(193)	(193)
Others/interest paid	(14)	(14)	(14)	(14)
Net cash inflow (outflow)	(456)	(278)	211	277
Beginning cash & cash equivalent	2,182	1,578	1,300	1,511
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	1,725	1,300	1,511	1,788

Key Metrics

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28F
Profitability				
EBITDA margin	16.2	17.2	17.6	18.0
Pre-tax margin	16.6	16.7	18.7	20.1
Net margin	11.6	13.2	14.9	15.9
ROA	7.4	8.1	9.1	9.5
ROE	11.4	12.1	13.1	13.4
Growth				
Turnover	12.2	-1.7	1.8	1.0
EBITDA	21.1	4.2	4.3	3.5
Pre-tax profit	24.2	-1.1	14.3	8.7
Net profit	17.8	-3.2	14.9	8.0
Net profit (adj.)	17.8	11.5	14.9	8.0
EPS	17.8	11.5	14.9	8.0
Leverage				
Debt to total capital	29.5	26.5	23.7	23.7
Debt to equity	30.3	27.3	24.4	24.4
Net debt/(cash) to equity	17.8	16.3	14.3	14.3
Interest cover	12.2	12.9	14.8	14.8

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